

ARIZONA RACING COMMISSION

605TH REGULAR MEETING

WEDNESDAY, MAY 11, 2011

MINUTES OF REGULAR MEETING

A public meeting of the Arizona Racing Commission was convened on Wednesday, May 11, 2011, beginning at 10:06 a.m. in the Building Conference Room, Suite 250, at 1110 West Washington Street, Phoenix, Arizona 85007.

Present – All members present:

Chair	Erin Owens
Vice-Chair	A. Mel McDonald (Telephonically)
Commissioner	Thomas E. Kelly
Commissioner	Burton S. Kruglick
Commissioner	Jay McClintock

Also Present: Lonny T. Powell - ADOR Director, Mary D. Williams - Assistant Attorney General, and Kim McCollum- Commission Secretary

A. Call to Order

Chair Owens called the 605th Regular Meeting of the Arizona Racing Commission to order at 10:06 a.m.

The following matters were discussed, considered and decided at the meeting:

Approval of the Minutes:

Minutes of the 604th Regular Meeting held on Wednesday, April 13, 2011 – **Commissioner McDonald** moved to approve the minutes. **Commissioner Kruglick** seconded. **All in favor.**

B. Information Reports

1. Department Monthly Update – Director Powell requested to go out of order with some of the agenda items.

Director Powell reported that the budget bill Senate Bill 1623 was passed by the Legislature and signed by the Governor which created funding for racing through the newly created racing regulation fund. Beginning July 01, 2011, the breakdown of funds received by the Department would be 42% from state appropriations and 58% from the industry. For the fiscal year beginning on July 01, 2012, the breakdown would be 100% funding would be from industry. In addition to the main budget, House Bill 2314 provided additional funding allowing the Department to operate at a higher level of regulation with more funds going to drug testing, animal welfare, licensing, and enforcement. Senate Bill 1623 created a one year exemption from the rule making process for the Department regarding Department's new budget related rules which require Commission's approval of the rules proposed by the Department. **Director Powell** expressed the importance of June's meeting and that he would be meeting with key industry stakeholders before June's Commission meeting to go over the new exempt budget rules with them. Beginning July 1, 2011, the license cycle would change from 3 years to 1 year and any new licenses acquired as of July 1st would expire on June 30th of the following year for horses and January 31st of the following year for greyhound and/or mutuel clerk licenses. All 3 year licenses would be good for another year before expiring on June 30, 2012. One year licenses were implemented for the Department to gain better accountability for and control over some of the license categories and to receive the funds from the licensing fees on a yearly basis. **Director Powell** stated that Arizona licensing fees had been some of the lowest in the country and as a way to spread the responsibility for the self-regulatory fund, licensing fees were going up. There would also be an increase in the number of license categories. **Director Powell** stated that Sonoita ran on Kentucky Derby weekend, their first time doing so without state subsidy and that they ran 2 days instead of 4. They had a successful meet and they were looking to double their days for the next year. **Director Powell** stated that with regards to Yavapai's opening ,May 28th, the licensing office would open on May 17th, a facility operation and readiness inspection would be conducted prior to that and he inquired about entry dates. **Commissioner Kelly** asked if people would be notified of the license increase. **Director Powell** replied that everyone would see the fees next month and they wouldn't take effect until July. **Chair Owens** commented that it was exciting to see the Department having more money in the budget to work with and where the funds would be put to use. **Director Powell** announced that **Dennis O'Connell, Executive Director of the Boxing and Mixed Martial Arts Commission**, was present in the audience.

New Business Item No. 2. Arizona County Fair Association on Future of Arizona Fair and Racing Related

Strategy as requested by Commissioner Kruglick – Director Powell reported that **Casey Faunce, Vice President of County Fair Racing**, was expected to attend the meeting and give more information about the County Fairs. **Director Powell** stated that county fairs relied significantly on state subsidized money from the County Fair Betterment Fund and the funds

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were swept and no longer funded. Three county fairs still managed to run Pima County at Rillito, Flagstaff planned to run in July and Sonoita. Sonoita ran half the dates but it was with their money. St. Johns was looking at running and they were expected to apply to run live. Sonoita would request their normal 4 racing days. Would need to hear from Casey Faunce what the others county fairs are planning to do. Money was a problem for county fairs, the State had no funding to subsidize them anymore and unless something was created legislatively, money would continue to be an issue. **Commissioner Kruglick** asked to be notified of the next county fair meeting because the Commission needed to have a presence there. **Commissioner Kruglick** further stated that he would like to attend the County Fair Board meeting because of his concern that racing as a whole was suffering and he felt it was an important part of the racing business.

New Business Item No. 3. Yavapai Downs 2010 Meet Readiness Status update – **Director Powell** requested the management at Yavapai to give specifics about opening day as a response to a number of things (letter writing campaign, accounts payable and newspaper articles) versus the Department and the Commission coming up with their own speculation. **Director Powell** asked if they were any accounts payable that were significant enough to impact the operations of their race meet and stated that the Racing Commission had to ask the tough questions on occasion and do their homework to make sure everything was working fine. **Director Powell** asked **Mr. Mullaney** to address the newspaper article, the letters and the accounts payable. **Mike Mullaney, General Manager**, reported that Yavapai may have a hard time next year and possibly not race in 2012 if the property tax situation persisted and was their property tax was raised from \$35,000 to \$350,000. For the meet this year (2011), the Chairman and the whole board were committed to running it and were fervent and convincing in their belief in it. **Mr. Mullaney** indicated that the 2011 race meet was taking place as planned. **Chair Owens** asked if they had horses on ground. **Mr. Mullaney** replied that they had about 200 horses and about 20 trainers and they were expecting more horses. **Chair Owens** asked how many horses they expected this year. **Mr. Mullaney** replied that they were hopeful of 1100 horses and that they laid 3,000 tons of sand ahead of schedule and the first gallop was expected to be moved up a day or two. **Director Powell** asked about Yavapai's accounts payable to vendors and host tracks and Yavapai's status with vendors or host tracks that could possibly affect racing operations or purses for horsemen. **Mr. Mullaney** stated that the Board issued a mandate for all debts to be paid and all future debt be taken care of as well. **Mr. Mullaney** further stated that Yavapai was doing a few things to try and find money like talking to some entities, local and national, about their interest in investing in Yavapai Downs. **Director Powell** asked if anyone had threatened to either pull or cut-off the simulcast signal or not take Yavapai's signal, discontinue tote, or anything of that nature because of the financial situation. **Mr. Mullaney** replied that some places had not been paid or talked to over a course of months which was a major problem and they were trying to open the lines of communications. **Commissioner Owens and Director Powell** suggested that Yavapai's progress on paying off the past due debts be referenced as an ongoing item on future Commission Agendas. **Commissioner Kruglick** asked for an estimate on the amount of money owed. **Mr. Mullaney** replied that it was six figures and it ranged everywhere from elevator bills to garbage collection. **Mr. Mullaney** stated they had hired a forensic accountant to try and make sure mistakes made in the past wouldn't occur in the future and that they were going to hire a settlement company.

2. Permittee Reports –

- **Yavapai Downs** – **Mike Mullaney, Acting General Manager**, reported that despite the financial situation, it was heartening that ten days ago, they had been able to hire a track crew and a few people for facilities. They had been able to paint around the backside, the kitchen, and that galloping would begin a day earlier because the sand was laid ahead of schedule. Overall, there was a good feeling about the place. **Chair Owens** asked if horses were still at Turf Paradise and if they were expecting horses from anywhere else other than Turf. **Mr. Mullaney** was unsure if the grounds at Turf Paradise were still open but **Dave Johnson** answered that the grounds were still open and some horses were still on the grounds. **Mr. Mullaney** stated that they were hopeful that horses would come from Washington, Oregon, Idaho, and Montana. **Mr. Mullaney** closed in stating that entries would be due May 23rd.
- **Turf Paradise**– **David Johnson, Vice President and Assistant General Manager**, reported that the meet finished on May 8th and the handle was down 4%, the total handle was \$272 million compared to \$283 million the prior year and almost the entire percentage of the loss was due to out of state handle and the loss of an OTB. **Mr. Johnson** further reported that Turf opened an OTB in Yuma, the day before Kentucky Derby that made \$31,000 handle without any advertising. The on track handle was down 8%, live product was up 2%, and on track attendance during live race dates was up 6%. **Mr. Johnson** went on to report that Kentucky Derby Day finished at \$3.4 million compared to \$3.7 million the prior year. **Commissioner Kruglick** congratulated the permittee for doing an awesome job. **Director Powell** stated he walked the facility numerous times on Kentucky Derby Day and it was as close to seamless for an operation that's not used to having a big crowd and that Mother's Day at Turf Paradise made it on the

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news. **Director Powell** asked how the permittee ended up with purses. **Mr. Johnson** replied that they were overpaid \$29,000 which was almost perfect resulting in Turf Paradise being able to enter next season with a surplus. **Mr. Johnson** further stated that an additional 1,000 people attended Mother's Day at Turf Paradise. **Commissioner Kruglick** asked how effective it was to start races at 3 p.m. **Mr. Johnson** stated that it was very effective for people just getting off work and it was beneficial because it gave them an opportunity to market quarter horse where. **Mr. Johnson** went on to state that quarter horse racing was a vital part of Arizona racing but was a product difficult to sell due to so many markets in the United States not allowed to take quarter horse races. However, after 5:30 p.m., the product could be sold to California.

- **Tucson Greyhound Park – Brian Duncan, Director of Racing**, reported that there was a structural engineering delay with the tower, everything had been approved again and the construction would begin again. The track would add 20 tons of sand to the track and one new kennel would be coming in by the end of the week.
- **Rillito – Pat White, General Manager**, reported that they were looking forward to planning the next meet and getting dates their dates approved.
- **County Fairs –No report**
- **American Greyhound Racing – Dan Luciano, General Manager**, reported that Kentucky Derby Day was good for both Apache and Max's even with a lower attendance than last year, he visited both places and everyone was having a good time.

3. Optional Industry Stakeholder Association

- **Arizona Greyhound Association – No Report**
- **Arizona Quarter Racing Association – Director Powell** read a written update sent to the Department by **Executive Director Loretta Brasher** in which it stated out of the 17 total races at Sonoita 9 of them were quarter horses and full fields. Very grateful to Turf Paradise for twilight racing.
- **Arizona Thoroughbred Breeders Association – Yvonne Kunz**, reported that their Arizona Breeder's Festival award ceremony went well. They had over 180 people and their lobbyist Elaine Arena was able to get Senator Pierce to attend. Mr. Pierce spoke to the breeders and member and they were very appreciative to hear from him. Mr. Francia also spoke to the group. **Mr. Kunz** further reported that the Arizona bred festival, an event where Arizona bred horses raced, had a nice crowd, contested races that were very good, and a good crowd in the clubhouse. **Ms. Kunz** closed with thanks to Turf Paradise for their support. **Chair Owens** asked about the cameras that the jockeys were wearing on Breed Day. **Director Powell** replied that two students in the University of Arizona Race Track Program designed the mini cameras and wanted to do a test run. They tested them which generated some national press. **Dave Johnson** stated that this was the only time that a camera was used on every rider, with the exception of one rider and it created a lot of interest and press. It was unique in that it showed what a rider actually sees in a race.
- **Horsemen's Benevolent & Protective Association – Wendy Hobson on behalf of President Gary Miller and Executive Director Tom Metzen who were both traveling**, nothing to report but getting excited about moving up to Yavapai.
- **Jockey's Guild – No report.**

C. New Business

1. **Hearings on Renewal Applications for Commercial and County Fair Racing Permits - Joyce Cozby, Assistant Director**, stated that the Department received 5 applications for county fair racing renewal permits and that all had received approval from their board of supervisors to race the county fair dates at the locations requested. The counties racing their dates at Turf Paradise provide an agreement with Turf Paradise. **Ms. Cozby** further stated that the Department reviewed the applications and found no area of concern. The Department recommended approval for all permits as submitted except for Pima County.
 - **Coconino County at Flagstaff for FY 2012, 2013, and 2014 – Commissioner Kelly** moved to approve the renewal application. **Commissioner McClintock** seconded. **All in favor.**
 - **La Paz County Fair at Turf Paradise for FY 2012, 2013, and 2014 – Commissioner Kelly** moved to approve the renewal application. **Commissioner Kruglick** seconded. **All in favor.**

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- **Santa Cruz County at Sonoita for FY 2012, 2013, and 2014** – Commissioner Kelly moved to approve the renewal application. Commissioner McClintock seconded. **All in favor.**
- **Yuma County at Turf Paradise for FY 2012, 2013, and 2014** – Commissioner Kelly moved to approve the renewal application. Commissioner McClintock seconded. **All in favor.**
- **Pima County at Rillito Park and Pima County Horsemen's Association at Rillito Park Commercial.** Director Powell stated that the first 4 days of racing would be county fair race dates and the Department recommended the 14 remaining days to be commercial days for FY 2011, 2012, and 2013, one year off of the county fair dates. In March 2009, the Racing Commission approved renewal of a commercial racing permit for Rillito Park for FY 2008, 2009, and 2010 with no dates attached to the approval. Pima County Horsemen's Association d.b.a. Rillito Park applied for a renewal of a commercial permit and requested 18 county fair days. The Department's practice had been, with everyone except Rillito Park, to approve 4 dates for county fairs. A county fair in Arizona races 4 days and that had been the consistent way to do things until the special situation with Rillito Park. Rillito Park had a history of racing commercial live days and county fair days prior to the last permit. The Department believed that any live days in excess of 4 should be considered to be commercial days therefore the Department recommended Rillito be approved for the 4 county fair racing days with the remaining 14 days to be approved as commercial dates. The commercial dates and the permit would be subject to a forensic financial investigation and operational review. The Department discussed with legal counsel and **General Manager Pat White** and recommended that that the stipulated agreement be approved and executed by **Chair Owens** and **Ms. White**. Thanks to SB 1623 Rillito Park would be providing some funding to the Department through the handle and drug testing, through the purse account. **Mary D. Williams, Assistant Attorney General** stated that if the Commission approved the stipulated agreement it would cover the 4 county fair racing dates and the 14 commercial racing dates. **Commissioner Kelly** moved to approve the stipulated agreement between the Arizona Department of Racing and Pima County Horsemen's Association ("Rillito Park") as stated. **Commissioner McDonald** seconded. **All in favor.**

D. Commission Reports

- a. **Commissioner Kruglick** requested that County Fairs be placed on the agenda for the June meeting.

The next regular Commission meeting will be held **Wednesday, June 08, 2011, at 10:00 a.m.** in the Building Conference Room, Suite 250, at 1110 West Washington Street, Phoenix, Arizona 85007.

E. Call to the Public

- a. **Jaye H Wells** stated that he did not represent Rillito in the same sense as PCHA but that he represented a group of businessmen and women and other concerned citizens in Pima County. The viability of Rillito had to expand pass racing days so that the park could be seen as more than a racetrack with a soccer field and more as a park that would support the entire community. Proposing the Rillito Park Foundation and are seeking support from PCHA and other entities.

Adjournment

Commissioner McDonald moved to adjourn the meeting. **Commissioner McClintock** seconded the motion. **All in Favor**

This public meeting adjourned at 11:20 a.m.

Dated this 6th day of June, 2011

Arizona Racing Commission

By 
Kim McCollum, Commission Secretary